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The Douglas Plan

—C. V. KERSLAKE

A Socialist Criticism

—THE EDITORS

—
Douglas and Fascism

—WATT HUGH McCOLLUM

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Listening In

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WE are living in an economy of chaos. How long it will continue nobody can tell. Business will no doubt enjoy some upward fits in its cyclical convulsions. . . . But one thing is certain. We are at the beginning of the end of a social system. The two major symptoms of social disintegration are very plain. First, the masters of our economic life are ignorant, incompetent, and callous, as the masters of a dying order always are. Panders rationalize their outlook for them, ghosts write their "autobiographies" and public statements, and gangsters fight their industrial battles. No social system can endure which is no longer able to make use of social intelligence. The other characteristic of a dying order is functional. It has reached the limits of reform. Every palliative turns into a focus of infection. Every reform turns into reaction. The contradictions of the economy are no longer hidden but dramatically evident. And government, which must administer these contradictions, is a comedy of errors which moves toward the tragedy of terror.

—Benjamin Stolberg, "The Nation."

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EDITORIAL

IN our modern civilization, the banks and the mortgage companies are looked upon as the know-all, the end-all and the cause-all of the capitalist system. It is commonly believed that banks direct our everyday economic life. The greater number of our commercial dealings with our fellow men are with the great corporations which dominate our present day existence—mortgages, loans and agreements of sale—are effected through a bank. Loans are extended and debt collections are postponed through bank discounts. In this way we come to look upon the bankers as the agents and the office managers of the capitalist system. The institution which they serve, the financial system, has become the heart of the capitalist body and is supposed to pump and withdraw the credit or life blood to the various portions of the social and economic organism. Monetary reformers say that the heart, because of abuse and overstrain is incapable of serving the body. They claim that by mending the heart the whole body can again be made healthy and well. The socialists have no difficulty in pointing out contradictions and abnormalities not only in the heart of the economic system, but also in every part of the body. Their analysis has proven that every limb is badly formed and that every organ is structurally incapable of fulfilling its functions.

If we are to know the nature of a disease we must know its history. Let us follow the development of the financial system as an integral part of the economic system.

Let us state at the outset that wealth in the beginning is raw material. Land and seed grain are wealth. So is the hide on a cow; also the iron ore which is not yet mined. These three items are a few among many. This wealth acquires value as labor is applied to it. The farmer cultivates the land, sows, reaps and threshes the grain. The hide is taken from the cow, tanned, dyed and made into shoes, suitcases or some other finished leather articles. Iron ore is mined, smelted, processed through its various stages and finishes as some metal product. The individuals in these various industries, the farmers, the workers, the accountants, factory superintendents, office boys, etc., have all applied their labor in some way—the collective labor of every individual doing a useful and necessary service in society whether he be the laborer or technician in industry who works with the actual product, or one who serves—the doctor who prevents and cures illness—the actor or author who provides wholesome entertainment—or the teacher who educates the children.

The labor cost of the work of these individuals is the cost of everything which has been made in the world today to be consumed and used. By applying their labor and contributing their services, they have built factories, public buildings, farms, homes, and roads, maintained health and sustained happiness from the raw earth which nature has provided.

Opposed to them are those who own but do not produce—the capitalists who are parasites at this period of history, who contribute no labor, mental or physical to the production of wealth, but who place on top of the real value of an article a profit which goes into the price. The capitalists, by virtue of profit, interest and debt, live upon those who have produced and are producing everything.

Obviously the cost of everything which is to be sold is the maintenance in food, clothing, lodging and amusement of every member of society, plus an amount sufficient to provide social services, expand industry and extend commerce. If we follow this logic we will come to the conclusion that when it is possible to produce abundance, abundance should be distributed to the people because goods are only produced to be consumed. Today the equipment and technical apparatus which has grown up within the economic system is capable of making the raw wealth which we have already described into operative and consumable wealth—goods which can be consumed and used. Despite this ability, the capitalist system because of contradictions within itself, is unable to distribute abundance. We do not lay the entire blame at the door of any one particular phase of the system—the markets, the machines, human nature, or the financial structure—we say that the whole system is at fault.

The primary function of a financial system is to make easier the exchange of goods for goods, services for services, and goods for services by means of a medium of exchange, a token of value. Our modern financial system does not fulfil this function efficiently and must be changed to meet the requirements of an advancing world. But we contend that the whole capitalist system must be replaced first by a Co-operative Commonwealth, and we shall most strenuously oppose those who endeavor to distract our attention from the real task before us by laying all the blame in one quarter and believing that a reform there will eliminate all our troubles.

Approaching the problem with as much simplicity as possible, we first come to the function of the financial system in earlier society. Every text book defines money as a medium of exchange, a method of eliminating the clumsy bartering of pigs for horses, oxen for wheat, and all these things in turn for the crude luxuries of primitive society. The upper classes, the kings, the nobles and the priests, by tithes and taxes, gathered accumulations of goods and consequently great stores of money. In this almost forgotten history money was not used for the establishment of great industries, but rather for the financing of wars against neighbor nations and neighbor nobles. With the coming of the industrial revolution, these stores of accumulated capital were used for the expanding commerce and industry of that day.

The wealthier people of the early days usually left their wealth in the form of gold, silver, jewels or stores of coins in the keeping of the goldsmith or jeweler. This was the first bank deposit. The goldsmith soon found out that it was safe to loan the money to other dependable individuals who could use it for profitable purposes, pay him for its use and return what had been borrowed before the original owner called for it. He then became a money lender. The profession was very profitable and hence popular. As this rudimentary and incomplete banking machinery grew in power and influence it became more perfect. The spontaneous nature of its growth and the fact that it was essentially part of the capitalist machine made possible its utilization at this stage of history as a tool for the further maintenance of the capitalist system.

The field of finance, because of the complications which have arisen around it, has been considered by many to be a mystic and occult arrangement. Gold standards, international exchanges, markets and banking practise and malpractise have been linked together with much fanciful legend. In reality they can be explained in the same cold and analytical way as any phase of the capitalist system. In history one of the most

acceptable monetary tokens was gold. As nations traded together they demanded gold to pay any deficit or satisfy any surplus between them in their trade relations. This was because of the fact that gold was one of the scarcest of metals and its efficiency could not be tampered with by a great supply of it. Being in great demand it became a commodity in the world market and currency was based upon supplies of it. Gold was not the wealth but the common denominator which represented wealth.

Currency strictly defined, comprises the metal tokens which, in our country, range in value from one cent to fifty cents. Their metal content is no indication of their value. The bills or notes, whether they are issued by the banks or the government are also considered to be currency. They range in value from one dollar to a thousand dollars. As the system evolved and industries and commerce assumed greater proportions, coinage and currency became less important and all great projects were financed by a flotation of credit. The habit of depositing money in the bank and drawing on it by cheque made it unnecessary for the banks to carry large supplies of coinage and bank notes. Some years ago at the height of prosperity, it was estimated that currency did only four percent of the business in Canada, that is, 96 percent of the nation's business was financed either by cheque, draft, promissory note, bill of exchange or some other negotiable bank paper which is not currency.

With the rise from early industrialism we find the banks and their subsidiary organizations, such as the mortgage houses, taking more and more active part in the everyday life of society. The banks loaned great quantities of money in the form of credit not only to industries but to individuals who by the application of their wit and aggressiveness could build industries. From what sources did they loan this money? Did they give out only the equivalent of what they had on deposit? Or what amount of money could they loan in excess to their actual holdings? It is generally understood in the banking fraternity that ten times the actual amount of money on deposit and in the vaults can be loaned in one way or another. On this basis it will be seen that the capabilities for loaning money are almost inexhaustible, because a person or a corporation, upon receiving a loan, can deposit it in a bank and it in turn may again loan ten times the amount deposited by this person. What then limits the extent of bank loans?

First, it is the general loan policy laid down by the bankers which gauges the amount of bank loans. Observing the policy in Canada over a period of years, it is difficult to detect any definite plan on their part. During a period of expansion, money is cheap, easily available and loaned in large quantities. In times of depression or crisis, loans are restricted tremendously. As a matter of fact, it is sometimes believed that banks, by the restriction of credit, throw us more swiftly to the bottom of a depression and make it more severe. Never at any time in the history of Canada or Great Britain have they ever loaned as much money or extended as much credit as they safely could have done. They are bound by the system. In order to loan money safely in the capitalist sense, interest must be charged. The borrower must make enough over and above the principal and interest to assure a profit for himself. Money is never loaned on anything because of its social usefulness; the incentive for a loan is always profit, whether the purpose of the loan is good or bad.

Both credit and currency are the right to use goods of certain values. Their effect is not governed entirely by the amount in circulation but also by the velocity, that is, if a dollar bill passes through twice as many hands as usual it does double the business and is equivalent to two dollars under ordinary circumstances. The volume of currency and credit in circulation coupled with the rapidity of its flow dictates the level of prices. There is no known method of controlling the velocity but banks may

control the volume of circulating media by "open market operations." If there is too much currency and credit or their velocity is too rapid, prices rise and we have inflation. The banks then sell securities on the market, thus drawing money out of circulation. On the other hand if prices fall because of deflationary conditions—lack of money or slowness of velocity—securities are bought thus releasing money to the people. Under a socialist system the socialist bank would not only be able to do this but also plan the flow and extent of credit and currency by conscious direction.

If the planning commission has set a definite scale of either wholesale or retail prices, it is quite easy with the information facilities and statistical staffs at the disposal of any administration, to keep prices stable. When the economy of the country is so organized that there is no possibility of one individual or one class exploiting another individual or another class; when prices are at a constant level; when adequate wages, salaries and pensions are paid to every citizen in the country; when the criminal speculation which has wrought so many hardships on the producers of the world is suppressed, then will we have the opportunity of planning the production of the country in an orderly and effective manner. The crude and rather archaic method of tax collections which we now have would be unnecessary and revenue could be supplied by a straight levy on industry. The complications and pestering of individuals with income taxes and innumerable other little drains would be a thing of the past.

Another factor which must be considered in our analysis is the tremendous debt structure which has been created by the very nature of the capitalist system. Usury, the practise of loaning money or advancing credit at interest, made this so. If money is what its definition says it is—a medium of exchange, a token—it has no value in itself. The value exists in the products—the real wealth—to which it is related. Its increase cannot in the proper sense be greater than the increase of real wealth which is actual production and service rendered. Therefore money, the token, should not increase at a greater rate than the thing which it represents, produced and operative wealth and serving ability. This is not the case however. The money which was originally used to finance an industry has been multiplied by compound interest to such an extent that after having paid for itself many times over, the industry is still in debt to an extent far beyond its real value. We find a tremendous debt structure on the world for which there is no actual equivalent in real wealth. Such debts have no justification in logic, ethics or economics. In the final analysis if this debt were to be paid it would have to be paid by those who work with hand and brain because they are the only ones who make real wealth by the application of their labor whether it be mental or physical. To the worker a debt really means owing his work to someone else, days, weeks, or years of work which he has not yet lived; to the farmer, owing bushels of wheat which have not yet been grown or even sown; pigs and cows belong to the capitalists before they are born. Is it logical that individuals, indeed whole generations, are bought and paid for before they are brought into the world? Not only do the capitalists own everything that is produced, but because of their inherited mastery, they also direct every phase of the debtor's activity. Such a barbarous condition would not be tolerated by any enlightened economic system.

The socialist government on taking power would be faced with the three-fold task of adequately feeding the people, abolishing the capitalist system, and building a co-operative commonwealth. We do not mean that socialism will come over night. But there must be planned, determined and vigorous transition. The fragments of the old might live with the new but the process of transition must be carried to its logical conclusion.

Private property, clearly defined as personal possession, home and small farm, will still be the personal possession of the individual. No hardship will be imposed upon those who derive small incomes from invested capital. The small insurance policy holder will have to be guaranteed his usual standard of living. The small investor cannot be made to suffer while big investors are being liquidated. An immediate moratorium will have to be declared on all capitalist debts.

One cannot say exactly what would happen without predicting the actual circumstances under which a socialist government took power. But following the Manifesto, we see that first a national planning commission, composed of experts would be immediately instituted. Next would come the socialization of finance, banking currency, credit and insurance. This machinery would not only be used to keep the people in a condition of comfort, but the credit-giving rights would help to break down any counter opposition on the part of the vested interests.

Item three of the Program calls for the "socialization, dominion, provincial and municipal, of transportation, communication, electric power and all other industries and services essential to social planning and their operation under the general direction of the planning commission by competent management, freed from day to day political interference." If we analyze this quotation we see that every great industry, as a matter of fact everything which gives one the opportunity of exploiting another, must be socialized. On through the Manifesto, we see the other matters which must be handled in conjunction with these first three major and fundamental steps. They would all be going on simultaneously.

All of the competent specialized and technical knowledge in the country must be brought into play. All those who have up until this time been exploited by the capitalists, no matter what their secondary social position may be, will then have to rally to the support of the new commonwealth, the only social arrangement which will return to them the full social value of their efforts. Great marketing processes such as the marketing of grain and the wholesaling of food stuffs and other products will have to be placed under the strict government supervision until existing co-operatives can be extended and consumers' and producers' co-operatives are set up where they do not at present exist. All operating co-operative institutions will be called into full activity. This requires courage, not only from the representatives of the people but also from the people themselves—a people who are entirely disillusioned in the capitalist system, whose prejudices cannot be played upon by subsidized newspapers and false ideals—who will not be misled by half measures and who will not exhaust themselves in a hopeless effort to reform an unreformable capitalism.

The prime purpose of a socialist government will be to relate money to men and the things they make. When the life giving credit is made available to those mighty enterprises which the farmers and workers will own and operate in true democratic fashion, then will we enter upon the period of unprecedented economic expansion and cultural development. The intellect will be liberated from the limited democracy of a thinly veiled class dictatorship. Then and only then shall we have a classless society.

J.G.K.

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DOUGLAS SOCIAL CREDIT

C. V. KERSLAKE

Mr. Kerslake here presents the official viewpoint of the Douglas Credit League of Canada of which he is the Honorary Dominion Secretary. His presentation is immediately followed by our criticism. In a subsequent issue of the Review Mr. Kerslake will have the opportunity of replying.

—THE EDITORS.

WHAT is it that each of us wants? A happy life. What makes a happy life? Good health and a contented mind. What two things come nearest to guaranteeing the fulfillment of these conditions for a happy life? An income and personal freedom. What is the only plan which gives the individual personal freedom combined with a steady income? Douglas Social Credit!

There in a nutshell you have the reason why an ever-increasing body of people are supporting the principles of Major Douglas. These people are not forsaking any political affiliations in doing this; they are merely incorporating the Douglas Social Credit monetary adjustment in their political program. They are wise, for regardless of the ultimate objective which they hope to achieve by some form of administration, it is certain that Douglas Social Credit will be necessary in order to achieve that objective. Any system that is going to use "money" in some form to facilitate the distribution of goods and services, and any system which is going to use our present system of cost accounting, will have to use Douglas Social Credit as a mechanism for maintaining an accurate relationship between money and the real wealth of the country.

Douglas Social Credit is necessary to adjust a certain flaw in our economic system.

Do you doubt the existence of this flaw? Classical economists are quite content with the system as it stands; politicians never have any doubts about it. It seems that only those who have given careful study to our financial system and the analysis made by Douglas are aware of a mistake in arithmetic that upsets the best intentioned plans and which would thwart any form of administrative control, unless it were recognized and adjusted.

What is the flaw? Without going into the technical elaboration which can be found in the Social Credit textbooks it can be briefly summarized: our system is unworkable because we cannot buy all that we produce and our system is based on the assumption that the total production can be sold. There is a **shortage** of purchasing power, (not merely a very unequal distribution) which makes it impossible for producers to sell all that they produce.

The orthodox assumption is that during the course of producing an article enough money is distributed and remains in existence so that the article can be bought when it is offered for sale. This is a mistaken idea; the growing total of debt is indisputable proof that our system is not self-liquidating as most people believe it to be. But, in a money economy where it is an inviolable rule that a **producer must recover his costs** regardless of whether he makes a profit or not, it is manifest that any factor which makes it impossible for the producer to recover his costs, will make the system inoperable. That is the trouble today. Our economic system fails, simply because it is unworkable through an error in cost accounting combined with the irrational creation and cancellation of bank credit.

Now there are many things wrong in our present economic system. There is the great disparity in the incomes of the rich and the poor. There is the discrepancy between the returns for the primary producer and the profits on processed goods. But, if Douglas is right, even if all these and other maladjustments were corrected, even if the limit of "nationalization of industry" and state control were reached, we should still find ourselves thwarted in our efforts to distribute plenty unless we adopted the Douglas principles of the Just Price and the National Dividend.

The main cause of the trouble is the obsolete money system. It is impossible for this system to function efficiently in this Power Age. Let us see if we can find the trouble.

Anything that acts as money is money. You may quibble about terms and definitions regarding money, but in the world of practical affairs money is what may be termed "effective demand." There is hardly any item of material wealth or any variety of personal service which cannot be claimed by laying your money on the counter. If you have money—you have "effective demand" and you can satisfy your wants and desires as far as it is physically possible.

Now, most people think of money as something tangible like dollar bills, metal coins, etc. Very few realize that in recent years the bulk of our money has been changed in nature. Today nearly all of our money is in the form of figures in a book, bank credit. Over ninety percent of our business is done by bank credit, transferrable by the cheque system. The dollar bills and metal coins are merely the "small change" of the country. So it can easily be seen that the greatest importance attaches to the conditions surrounding the medium of exchange which constitutes the bulk of our "money."

Seeing that such a small part of our money consists of currency, let us lump it all together, bank credit and all forms of purchasing power, under the general term "money."

Where does money come from?

It doesn't grow on trees; it doesn't drop like manna from heaven; it is not the gift of a benevolent government. But it must have a beginning. Somebody must "make" it, literally. (When we use the expression, "Oh, he makes lots of money" let us remember that he is not making money: he is only getting what was previously held by others.) Well, the only man who actually "makes" money is the banker; and he makes it by a very simple process. He makes a thousand dollars by taking a pen and writing a "1" and three "0" in his ledger! The country now has a new thousand dollars which it did not have the moment before this simple operation took place.* What did it cost the banker to do that? Well, it cost him the overhead expenses of maintaining a substantial (and sometimes very ornate) building on one of the best locations in the community; it cost him the wages of the staff of bank clerks, etc.; it cost him some trouble to ascertain if the man to whom he lent this new money was a "good" client. That is what it "costs" the bank to make money.

But there is another side to the picture. This new money comes into existence in the form of (a) a bank loan, or (b) an overdraft, or (c) a bank purchase of securities. All these operations literally create money. But this money is not eternal. After a time it dies. How? By the repayment of the bank loan or overdraft or by a bank sale of securities. When a loan is repaid the money is cancelled: it is wiped out of existence. No one has it, not even the banker. Of course, he can immediately create a corresponding amount but it must be remembered that money is issued only for production and that before that money becomes available as purchasing power for consumers it will have to go through the producing system and thus tag on a whole string of costs which must be liquidated by this same money.

Now, if the claim of the orthodox economist is to be proved, i.e. that our system is self-liquidating, it follows that the cancellation of money must equal the cancellation of costs within the economic system. If we receive enough money to enable us to buy all that we produce, then all costs associated with a certain sum should be cancelled when the money is cancelled for no new money ever comes into existence and gets distributed unless it is intended for producing something. Unless this can be proved it seems obvious that our system is not self-liquidating and we are bound

*"I am afraid that the ordinary citizen will not like to be told that the banks can, and do, create and destroy money. The amount of money in existence varies only with the action of the banks in increasing or decreasing deposits."

Rt. Hon. Reginald McKenna,
Chairman, The Midland Bank.

to have trouble if we continue to try to operate it under rules which would work only in a really self-liquidating system.

Now Douglas claims that this irrational control of the creation and destruction of money is a vital matter for consideration. In the first place, upon what security does a bank create and lend financial credit money? (While they generally ask collateral they really do not want to be driven to realize on it: they want the loan retired in money.) Well, this financial credit is backed by the real credit of the community, that is, the ability of the community as a going concern, to make and deliver goods and services. This is a communal proposition. The real credit of Canada resides in the ability of the Canadian people and the physical wealth and potential capacity for production of the Canadian people. A bank would have no usefulness on a desert island. It is the co-operation of the citizens and the extent of the physical resources of a country that provide any real credit for a basis of financial credit. Surely then the people should have the control of policy in regard to the money supply of the community. Furthermore, this money supply should bear a definite relationship to the real wealth of the country. Today it is created and destroyed at the discretion of a group of men who have a monopoly of the issue of financial credit.* The Canadian banks are competitors in business but in the broad outlines of the current credit policy they act as one. It is these men (and not the reviled "capitalists") who really control Canada.*

So the first step in the Douglas Plan is to restore the control of the issue of currency and credit to the Crown, where it rightly belongs. The Douglas Social Credit movement in Canada owes a debt of gratitude to the sturdy little band of Western Members of the Federal House who year by year have openly challenged the might of the money monopoly, and by the presentation of bills for the nationalization of credit have brought this main issue to the attention of all who are interested in government affairs.

But the mere act of the resuming control of the issue of money and credit will not make things much better unless the policy to be instituted is good. While the use of the national credit for public works programs and similar projects is better than a continued debt increase for the work, yet such a policy is only a palliative and it leaves the real problem untouched. (Remember, our real job is to make all men economically independent through an income.) This flaw in our system must be adjusted: we must increase the amount of purchasing power so that we shall be in a position to buy all that we produce.

Once again we are going to avoid technical explanations as far as possible. The specific details of all the Douglas principles can be found in Douglas books. We merely wish to outline the main avenues of Douglas Social Credit.

Under a Douglas Social Credit system book-keeping on a national scale would be set up. We should gather accurate statistics relative to our real wealth, our production, consumption, and all factors necessary to strike a national balance sheet. The money system would be regulated to reflect accurately the physical condition of the country, that is, as our real wealth increases our money will increase, and vice versa.

It is necessary to use scientific means whereby the new money is distributed to the community. It must not produce inflation nor will it do any good if it goes through the production system thereby making another

*"... the banks now have an almost complete monopoly of the credit facilities of the country. They may restrict or extend credit at will within the limitations which I have mentioned: and the question has arisen whether the control of credit should continue to be exercised in the sole discretion of the directors and officials of the banks."

Hon. C. H. Cahan, Secretary of State for Canada,
speaking at the Canadian Club, Nov. 13, 1933.

*"They who control the credit of the nation, direct the policy of governments, and hold in their hands the destiny of the people."

Hon. Reginald McKenna, Chairman of the Midland Bank.

series of costs. So it must be a direct gift to the members of the community. Now, this word "inflation" does not mean anything unless it means rising prices. In other words, although a banker applies the word "inflation" to all money that represents paper currency in excess of a certain ratio to gold backing, this does not mean anything to the average man unless it raises the prices of goods for sale. Under Douglas Social Credit prices cannot rise due to the operation of the Just Price discount.

The Just Price discount is represented by a certain fraction which is determined by statistical computations relating to Total National Production and Total National Consumption. Its manner of operation is as follows. Suppose the fraction was computed at one-half, then it would mean that goods at the retail counter would cost only one-half of their regular selling price. This would be effected by the retailer co-operating with the government book-keeping department by agreeing to sell goods at a certain ratio of profit on turnover. He would then be permitted to apply the Just Price discount and a hat selling regularly for \$4 could be purchased by the consumer for \$2. The loss (\$2) to the retailer would be credited to him by the government credit department when he produced proof of sale.

The practical effect of this is that the cost of living would be lowered. Money would "go farther" than it does today. It would act just like an increase in personal income. But the main point is that it prevents inflation for this new credit does not come into existence except on condition that the prices of goods be reduced.

This is only one half of the Douglas Plan. The other part is called the National Dividend. Part of the total appreciation of wealth could be monetized and distributed to the citizens of the country in the form of a dividend on the wealth of Canada, unlimited, a company in which we all hold shares. The National Dividend is paid to every man, woman, and child in the country on the basis of their citizenship. It is not hedged by any moral restrictions. The amount of the Dividend depends on the data collected relative to the real wealth of the country. It is a creation of new money to equate this physical wealth. If we have no increased wealth-producing capacity then there is no basis for a National Dividend. But the country is steadily growing richer as a whole and while this condition does not benefit us as individuals today, there is no reason why this state of affairs should continue. We should receive a share of the increase. We can receive a dividend entirely apart from our services in the field of production. This dividend would be paid not merely to the unemployed: all would receive it (except those already receiving an income of a certain size).

What is the ethical basis for this National Dividend? Well, the increased productivity of the country cannot be claimed by any one individual or group of individuals. That one man can produce more real wealth today than twenty, fifty, or one hundred men could produce years ago is due to the fact that science and invention have multiplied labor-saving devices. We are heirs of a stock of knowledge which may be termed our "common cultural heritage." This is not due merely to the "workers." Every generation in the past has passed on to the succeeding generation the accumulated knowledge of the centuries until today man has solved the problem of production; scarcity has been defeated; and he needs only to learn how to distribute the plenty which he is capable of producing. The ideal mechanism for this is the National Dividend.

This National Dividend would make man economically free, which is the only real freedom. He has political freedom today but what good does it do him? The men he elects are powerless before the might of those who control currency and credit. The voter never gets an opportunity to speak authoritatively on any policy at the polls. What difference does it make if he votes for high tariffs, or minimum wage laws, or any of the dozens of other mechanisms, the effect of which he does not understand?

What he should demand of every candidate, regardless of political affiliation, is that **poverty should be abolished** in Canada. Never mind voting on the methods; that is a job for experts. If the experts (financial or economic) can't do the job, fire them and employ others. The government exists to carry out the wishes of the people—not to ask the people as a whole **how** these wishes shall be accomplished. If you want to abolish poverty, demand a national dividend. No one in all this great country need suffer from want or poverty.

In conclusion, let it be clearly understood that Douglas Social Credit, if in operation, would abolish poverty. You can say that Douglas is wrong in his analysis of the cause of the trouble; you can say that the Douglas plan would not work; but you cannot say that, if it were actively in operation, it would fail to do what it claims. Give a man an income without the restriction of personal liberty and if present physical conditions continued, you would have abolished poverty in Canada.

We are not going to enumerate all the happy results of Douglas Social Credit, how it would make for peace, how it would solve industrial difficulties, how it would reconcile the conflicting interests of the different kinds of "producers," etc. In closing we wish to consider our opening question, "What is it that each of us wants?" and the answer "A happy life." If you had an income sufficient to make you dependent on no one for economic security, and if you were unrestricted in your personal freedom (except for observance of the ordinary civil laws) would you not consider it a "happy" condition?

Douglas Social Credit is the only means whereby this security can be combined with freedom and a life free from material want guaranteed to all as long as Providence continues to bless the earth with physical riches.

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A SOCIALIST CRITICISM

THE EDITORS

PERIODICALLY in history, sects and movements have sprung up which promised to adjust and humanize the capitalist system over night. Many of us will recollect Henry George and his Single Taxers, Sylvio Gessel and his Natural Money, and many other movements of a kindred nature which collapsed because they lacked popular appeal, constructive content or worthwhile theoretical substance. One of the most persistent of these movements is that of Major Douglas which Mr. Kerslake has outlined for us. In his very pleasant and plausible essay the reader will be struck by several obvious facts—that the plan presented can offend none but a few hideous personages whom we call bankers; that it will not necessarily interfere with the present capitalist property relationships. Those who receive large incomes for owning and controlling but doing nothing will continue to do so. As we become more critical, we see that certain important phases of social credit, which Major Douglas himself contends are the rocks upon which his church is built, are glossed over with little discussion and indeed almost completely ignored.

The primary assumption which Mr. Kerslake introduces is that there is a flaw in the economic system which makes it impossible to buy the products of industry. Mr. Kerslake tacitly admits that capitalism with its present financial system is not good, that it does not make for the happy life, leave the mind in a condition of contentment, or guarantee the requirements for these two conditions—an income and personal freedom. But he does contend in his first paragraph, and more precisely in the rest of his article, that capitalism plus social credit will make the world a good place to live in, eliminate greed, exploitation and their consequent evils and hardships. He does all this without in any way touching the basic contradiction of the capitalist system which places in the hands of a few the control of the economic life of the nation. Here socialists must of necessity take issue with him. For over one hundred years socialists have pointed out the inability of the capitalist system to distribute the products of the industrial system. They have pointed to the time when a mechanized world geared to the tempo of plenty would be unable to progress further without eliminating the capitalist system; when capitalists, because of their inability to invest surpluses profitably, would merely withhold or waste them; when they would close down their factories because they could no longer do an expanding business within a capitalism which had expanded to its limit.

The Douglas disciples on the other hand entirely ignore the growth of the capitalist system from its dim historic beginnings to its present complicated structure and point only to alleged imperfections in the distributive mechanism.

Mr. Kerslake refers us for further details to the Douglas Credit text books. In keeping with the suggestion we find it necessary to resurrect the famous "A plus B theorem" used by Major Douglas as proof of the "flaw", and which Mr. Kerslake neglects to mention. This theorem has been subjected to many interpretations by the various exponents of Social Credit. In brief it is as follows: All direct disbursements of purchasing power—wages, salaries, profit and dividends—are grouped as "A payments". "B payments" cover such costs as raw material, fixed capital charges, depreciation costs and reinvested capital. Then with a flourish Major Douglas evolves the obvious mathematical equation "A plus B" equals the selling price of all production. He further contends—and this is where we challenge his argument—that the "B costs" are not recovered, that is, they do not appear as effective purchasing power. Indeed he says that they cease to exist. They disappear, that is, a portion of the value of any product shrinks in the process of manufacturing. Let us first examine how the "A plus B" theorem operates on a commodity in the course of its production.

A SOCIALIST CRITICISM

(1) PRIMARY PRODUCTION

Wages—A Payments	\$300	Sales (price x quality sold)	\$330
Profit—A Payments (dividends)	30		
	<hr/>		<hr/>
	\$330		\$330

(2) MANUFACTURERS—INTERMEDIATE PRODUCTS

Wages—A Payments	\$300	Sales (price x quantity sold)	\$693
Materials—B Payments (i.e. sales as above)	330		
Profit—A Payment (dividend)	63		
	<hr/>		<hr/>
	\$693		\$693

(3) MANUFACTURERS—FINAL PRODUCT

Wages—A Payments	\$307	Sales (price x quantity sold)	\$1,100
Materials—B Payments (i.e. sales as above)	693		
Profit—A Payment (dividend)	100		
	<hr/>		<hr/>
	\$1,100		\$1,100

(4) WHOLESALE TRADE

Wages—A Payments	\$ 300	Sales (price x quantity sold)	\$1,540
Materials—B Payments (i.e. sales as above)	1,100		
Profit—A Payment (dividend)	140		
	<hr/>		<hr/>
	\$1,540		\$1,540

(5) RETAIL TRADE

Wages—A Payments	\$ 300	Sales (price x quantity sold)	\$2,024
Materials—B Payments (i.e. sales as above)	1,540		
Profit—A Payment (dividend)	184		
	<hr/>		<hr/>
	\$2,024		\$2,024

(6) SUMMARY

So the final sale price of consumable goods is \$2024, and the "A Payments" in the hands of consumers are as follows:

	Wages	Dividend	Total
Primary Production	\$300	\$ 30	\$330
Manufacturers—Intermediate Products	300	63	363
Manufacturers—Final Products	307	100	407
Wholesale Trade	300	140	440
Retail Trade	300	184	484
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TOTAL	\$1,507	\$517	\$2,024

In the Table which we reproduce here, it is assumed that the original wage cost in primary production is 300 value units. Let us call them dollars. The profit in all operations given in the tables is set at 10 percent of all other costs which is quite modest in comparison with that charged under present day capitalism. The total cost of the product over the retail counter is \$2,024. It will be noted that in primary production (Section 1 of the Table) the cost of the operation is \$330 paid directly to individuals as wages and profits (A Payments). There are no "B Payments" since the only cost in taking the product from the earth is the labor cost, and under the capitalist system a profit to the individual or group of individuals who hold title to the earth.

Sections 2, 3, 4, and 5 of the Table all have "material" items (B Payments). A superficial observation of these processes as isolated instances, might lead one to believe that the various items entitled "material" are not recovered in the selling price of the article. However, when we observe all direct "A Payments" (purchasing power) in their totality and balance them in section 6 of the Table, we find that sufficient units of value (dollars) have been distributed to buy the product from the retailer.

But as we have said, the "A plus B theorem" has innumerable apologists. In order to avoid any criticism of our analysis let us explore some of the other items (B costs) which might be considered as leaks, and hence would detract from the total purchasing power available.

Fixed capital charges, that is, machinery, buildings, fixtures, etc., are also included in the cost of any commodity. But these commodities too have gone through the various stages from raw product to their completed form and their value has been disbursed in the form of wages and profits as the product in the Table. Therefore we can see no reason for a shortage here.

Depreciation charges should also be considered under "B costs". Every business or industrial enterprise, no matter what its character, charges up a certain amount for wear and tear on machinery, fixtures, etc., making up the cost of the product. Surely no one will deny that the first machine involved disbursements in the form of wages and profits and every time a machine is replaced, a certain amount of the income from industry and commerce must go to replace it. In any event by the same sequence of reasoning, the value of this new machine is again disbursed in the form of wages and profit.

We will then be told that a certain amount of profit is reinvested to renovate or extend industry or pay interest on invested capital. But this does not destroy the purchasing power. It is still purchasing power. It may be in the hands of those who do not utilize it as such, but nevertheless it is still in existence. It may be in storage, in a bank, hoarded in a stocking or pillow or spent in some wasteful or unproductive enterprise. Mr. Kerslake or Major Douglas cannot make it disappear into the magicians hat any more effectively than they can conjure up a national dividend within the capitalist system.

If the argument that the imperfections of the economic system lie solely in the financial system is to bear any weight, the independence of the financial system from the economic system must be established. Mr. Kerslake leaves it for us to show that finance capitalism is the outgrowth of industrial capitalism. We shall disconcert him still more by proving that the financiers and the bankers have not by some strange and sinister magic stolen the power from the industrialists and that you cannot divorce the control of the financial system from the control of the economic system. In short, a bag cannot be turned inside out without first grasping the bottom.

The characteristic competition of the earlier stages of capitalism has become confined to fewer and fewer people until eventually industrial, commercial and financial activity, is a closed corporation. The control of the credit monopoly—the making and the distribution of the tokens of wealth, money and credit—has made the process of concentration much easier for this class. It has found in this arrangement a greater security, for concentration is more efficient than competition.

Capitalism gives to the class which owns and controls the means of production, distribution and exchange a greater share of the goods than its members can themselves consume. In addition it gives them not only the privilege of owning these goods, but also the right to manage the method of utilizing them. This class comprises not only the financiers but also the great captains of industry, the capitalist promoters and others of their type who have been proven, upon investigation and research to be the same persons. We find that interlocking directorates and the interrelation of finance and industry have made the bankers, financiers, industrialists and promoters, one class with one aim.*

The capitalists have long since secured control of the great collective industries and they are now well on the way to securing control of every minor, and up until recently considered to be truly individualistic occupa-

tion. The primary producers are at their mercy when they come to the store to buy consumers' goods, because the capitalists have complete control of the processing, preparation and marketing of every article which is sold over the counter. When the capitalists buy products such as wheat, tomatoes and raw materials of all kinds they pay their own prices for them. They put it through their mills which are operated by workers whose salaries and wages they dictate to a large extent. They sell it to the retailers at a wholesale price which is arbitrarily fixed by the great corporations themselves, as has been amply proven by the Stevens Inquiry.

Until the immediate post war period the great corporations left much of the retailing to small merchants but with an ever ready nose they also smelled a profit here and we find great departmental stores and chain stores operating under the slogans of "no waste in distribution" etc., whose blanket methods and more efficient facilities for buying quite naturally leave the small retailer at a disadvantage. As a consequence they now control a great number of stores of every kind—if not by outright ownership then by control of trade channels.

After bleeding the consumer at this end, another wing of the capitalist army of exploitation can be sent around on the other side, namely the loan apparatus which offers to help the already beleaguered consumer by loaning money on his personal possessions. If he has a home or a farm, they will loan him a fraction of its value at high interest to tide him over the difficult period. Then they come forth from still another angle. They send those benign missionaries of the capitalist system, the insurance companies, who offer him an annuity in his old age or a thousand dollars upon death to pay funeral expenses and keep his widow and orphans. Security within capitalism!

Thus this many sided system exploits the workers on one hand by cutting their wages, and replacing them by labor saving machinery. The farmer is completely at its mercy because of the unrestricted forcing down of the price of his products. The merchant who was proud of his individual efforts in the past is either put out of business by his corporate competitor or forced into wage slavery as the under paid employee of some great chain to wash windows and wrap and tie parcels. Then on the other hand we see this same system offering so called "protection and security" in the form of insurance. In 1932 lapsed and surrendered policies totalled \$775,508,162 which was 104.09 percent of the new business written that year. Thus we see the all pervading character of the capitalist system. Its octopus nature becomes clear to us as we see its many tentacles slowly strangling the body of society and those who espouse the Douglas Plan would rectify this by the "National Dividend" and the "A plus B" theorem!

Mr. Kerslake admits that politicians are completely controlled by the "Powers that Be", although his "Powers that Be" are only the financiers. If the Douglas adherents took the trouble to study the class stratification of society they would realize that bankers are industrialists and industrialists are bankers, and all these in turn are company promoters and stock exchange manipulators.

And Mr. Kerslake is naive enough to believe as he says, "It is these men (the bankers) and not the reviled capitalists who really control Canada!" It would be laughable were it not so tragic in its results.

From our observations we now know that even were it possible—and in our opinion it is not—to graft social credit on to capitalism, you would still retain the fundamental contradiction of capitalism: your great income and your unavoidable surpluses of unsaleable goods.

*Source—Who Owns Canada?

Mr. Kerslake mentions the Just Price, and with an assumption similar to his first one regarding the "flaw" in the economic system, he takes it for granted that there will be no difficulty in arriving at this Just Price. Said Major Douglas himself before the MacMillan Committee: "The proper price of production, which will equate consumption is perfectly easily obtained by the figures of consumption and production." Challenged as to where the information is to be obtained, he referred vaguely to such "Departments as the Ministry of Food, the Board of Inland Revenue, the Board of Trade, etc."

Unfortunately for the Major, the information is not "easily obtained." British authorities are agreed that in spite of a very efficient statistical service, no analysis under the present capitalist economic system could give the information required. The Australian Commonwealth Government where Douglas has a fair following, is equally at a loss to discover in its reports regarding Production any satisfactory statistics upon which the Just Price system could be tested or based. In regard to Canada, one may refer to the Dominion Bureau of Statistics, but a glance at the Canada Year Book shows that there are numerous explanatory paragraphs, pointing out that the figures given need qualifying in some way owing to duplication due to partly manufactured goods appearing later in the finished article, etc. Even Douglas has to admit the impossibility of securing the necessary information, for he states in "Credit Power and Democracy: "It is a reflection on a community that prides itself on its commercial efficiency that, hitherto, no proper National Balance sheet has been returned or has been returnable. Every estimate of our situation as an industrial nation has been largely guesswork." Without a doubt, it is not possible in any capitalist country to secure the figures that are required to form the basis of the Just Price formula; and that even if such figures were obtainable, such a long period must elapse before they could be compiled and used that they would be completely out of date when at last collated. Furthermore, the amount of discounts given, if the Just Price system were in operation, would merely have a further inflationary effect over and above that created by the issue of consumer credit, leading as a result to a further rise in prices.

Our monetary theoreticians may say that we are old-fashioned in our analysis, that our reasoning belongs to an age of scarcity. But may we point out that as long as the capitalist economic system exists you will have scarcity even if the machinery of production permits of abundance. The insurmountable barriers of profit and accumulated and compounded debt will keep from the masses the fruits of civilization. Artificial and arbitrary pricing will last as long as capitalism lasts. These are the facts based upon a thorough-going survey of the fundamental character of our economic system.

We submit that those who concentrate on finance base their arguments on a superficial understanding of things as they are. This, coupled with an amateur knowledge of economics and history and the desire to retain the profits and dividends of capitalism for the few while doling out "National Dividends" to the many, make their conclusions untenable, incomplete and dangerous—blind alleys for gullible souls, doomed to disillusion and despair.

WE RECOMMEND:

DOUGLAS FALLACIES by John Lewis, Published by Chapman & Hall Ltd. Price\$1.25

WHAT EVERYBODY WANTS TO KNOW ABOUT MONEY,
 Edited by G. D. H. Cole. Publishers, Victor Gollancz .Price\$1.50

MONETARY MESSIAHS

¶ If ever Mr. Roosevelt and Major C. H. Douglas sit down to a quiet glass of beer, we should like to have our ears glued to the receiving end of a dictaphone which has been cunningly hidden under the table. We would be willing to wager our share of the National Dividend against a fist full of N.R.A. dollars that the conversation would very shortly revolve around the text "Lord save me from my friends"; for Major Douglas has the prototype of Mr. Roosevelt's Father Coughlin in the person of William Aberhart, a Calgary school teacher. That these prophets of the painless transition to a land flowing with milk and honey are both Canadians, is a matter upon which we do not wish to make any comment except to record our belief that in the case of Father Coughlin, Roosevelt's loss is our gain.

William Aberhart is the product of his puritanical early environment. Born on an Ontario farm and steeped in the philosophy of individualism, it was only natural that his interest outside of the teaching profession, which he entered early in life, should lie in the field of evangelism. As early as 1914 we find him in the forefront of the struggle for prohibition in his adopted province of Alberta; and once having experienced the intoxication which results from haranguing a multitude we can trace the evolution of the Alberta Messiah through the following stages, prohibitionist—prophetic interpreter of the Bible—founder of a religious institute—advocate of Social Credit—leader of a political party.

It is as leader of a political party that he is of particular interest to us. It was not until his reputation as a religious figure had become firmly established that he became interested in Social Credit, and the scheme which he evolved and advocates is a hodge podge of Douglas Social Credit, theology, fanaticism, and William Aberhart, the Prophet. So far has he strayed from the lines laid down by Major Douglas that the official representatives of Douglas Credit in Canada washed their hands of him entirely, and quite recently Mr. C. V. Kerslake, secretary of the Douglas Credit League of Canada has said this: "It is unfortunate that the exponent of Social Credit in Alberta should have so sadly misinterpreted it." Nevertheless, Mr. Aberhart goes on his way, broadcasting each week from the beautiful Prophetic Bible Institute, which has been built by donations from his converts, and lecturing throughout the Province. His Social Credit doctrine is particularly suited to the field of his endeavors in that the farmers of Alberta have gone through agricultural ordeals and vicissitudes of every imaginable kind and description during the past few years. In their extremity the promise of twenty-five dollars per month for each adult person is bound to make a strong appeal. He has translated the rather involved Douglas plan into his own words, added a little religious prophecy, mixed in the "just price" and added twenty-five dollars per month for seasoning. The resulting mulligan is very appetizing. Enthused by his marvelous gift for exposition and led away by his promises of artificial prosperity, his following has grown by leaps and bounds in Southern Alberta, and is rapidly becoming a force to be reckoned with in the Northern part of the province. Whether he will be able to control his supporters is another question. Already there are signs of defection and internal strife.

The farmers of Alberta have become accustomed over a period of years to democratic procedure and constituency autonomy in the choice of candidate for political office. The organization of the United Farmers of Alberta has been built upon these principles, and it went against the grain of many of the delegates who attended the conference which launched Aberhart on his political career, when he refused to accept the leadership unless he could hand pick the candidates. This is only one symptom of the disease from which Mussolini and Hitler suffer. That Aberhart is quite susceptible to the virus of Fascism is becoming increasingly evident to the intelligent citizens of his province. One need only

read the following press report to hazard an opinion on the future career of William Aberhart. "Declaring democracy has become the arena of wirepulling crookedness and has been bound by party politics, William Aberhart, founder and leader of the Alberta Social Credit league, in his Sunday address at the Prophetic Bible Institute, urged his followers to abandon the system."

Elsewhere in this issue we present a criticism of Social Credit, but to explain fully the technique of credit control which Mr. Aberhart has worked out is a task which would involve a lengthy article. Aberhart himself shifts his position with the shifting winds, and relies chiefly on his ability as a demagogue, his reputation as a prophet, and the gullibility of an electorate which has been knocked off balance by six years of depression.

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THE antics of His Worship the Mayor of Vancouver should be an object lesson to those people who have been laboring under the delusion that the cure for our social and economic ills is to be found in currency reform, more particularly when the task of bringing order out of chaos is entrusted to a wordy gentleman who rails against the "money changers in the temple" under the banner of the Liberal Party.

A few short months ago the burghers of Vancouver elected the redoubtable Gerry McGeer with an overwhelming majority, reposing a blind faith in his ability to deliver the city from the bondholders and improve the condition of the unemployed. On May first the effigy of the same Gerry was carried down the streets of Vancouver in the largest mass demonstration ever witnessed in the city. It was exhibited with derision as an example of the impotency of the boy Mayor during the crisis resulting from the failure of every governing authority to deal adequately with the situation which has arisen in the relief camps, where literally thousands of young men are being allowed to rot away and dissipate the energies that could be so useful in the building of a society worthy of our technical progress. Not only has Gerry failed dismally in every crisis with which he has been confronted since he took office, but he has made himself more than slightly ridiculous by his endless trips to Ottawa, and his futile assaults upon the strongholds of the financial interests. His bombastic threats to "throw the sheriff into the bay" fall pretty flat when read in conjunction with the report of his reading of the riot act to the unemployed single men, who have obtained the sympathy and support of every conscientious citizen of Vancouver, in their efforts to achieve decent and respectable living conditions. Or contrast the weakness exhibited by His Worship with the courageous and intelligent actions of young Harold Winch, C.C.F. member of the Legislature, who almost single handed averted the tragedy that was imminent as a result of the hysterical theatrics which were His Worship's only contribution to the harassed unemployed.

Nevertheless Mayor McGeer has rendered an inestimable service to all people who are conscientiously looking for a way out of the maze in which we find ourselves today. He has proved conclusively that his way is bound to end in dismal failure. He has shown those of us who want to see, that days of prayer, bursts of impassioned oratory, currency tinkering, unintelligent denunciation of the captains of finance, investigating commissions and frantic trips to Ottawa are of no avail. Moreover, in doing this he has unconsciously pointed out a way that shows definite promise of fulfillment; the only way that he and his party will not travel; the way of organization and support of a movement which is dedicated to the overthrow of the system that breeds unemployment, disease and war, poverty for the many and luxury for the few; a movement that is determined to build the Co-operative Commonwealth.

DOUGLAS AND FASCISM

WATT HUGH McCOLLUM

THERE was a time when Social Credit was considered something "highbrow", esoteric but harmless. Any civil servant, any clergyman, any teacher or any engineer might dabble in it, build up a library of books by Major Douglas and his disciples, enclose neatly printed Douglasite pamphlets in his personal mail and at the same time remain a solid, sedate, reliable citizen. Governments and employers smiled tolerantly at these activities of their employees. They considered them harmless because they were not "political." Speakers on Social Credit indignantly denied that theirs was a political movement or had any political implications. A man could pledge his allegiance to the Conservative Party or the Liberal Party, the Democratic Party or the Republican Party and still be a disciple of "Social Credit." He could draw his dividends and cash in his interest coupons with a clear conscience and with a hope of continuing to do so indefinitely and at the same time be a staunch believer in the Major's theories.

Social Credit as propounded by Major Douglas and his associates might be somewhat unorthodox and queer but it was nevertheless considered to be safe, harmless, and eminently respectable. It had no questionable foreign antecedents, was not an "ism", did not threaten to take away anything from anybody, but instead offered to those who already had dividends and profits an additional "national dividend", and to those who had nothing, it also offered the same "national dividend".

Numerous interpreters and men who would like to play the role of John the Baptist have arisen throughout the British Empire and have even begun to acquire a footing in the United States of America. While its founder and some of his more important disciples juggle rather abstrusely with mathematical formulae, the general run of "believers" content themselves with fulminations against the wicked "finance capitalists" as distinguished from the benevolent "industrial capitalists", and talk happily of increased purchasing power, the "national dividend", "sharing wealth", \$25 a month for everybody in Alberta, and £75 a year for everybody in Scotland.

In Canada the main support for the Douglas theory of Social Credit has centered in the past in the West, and particularly in Alberta. The condemnation of the bankers, the diagnosis of the failure of the present system to bring about prosperity, and the promise of a "national dividend" to be mailed monthly, quarterly or annually to every man, woman and child in the country, has naturally struck a responsive chord in the hearts of many farmers, small merchants and skilled workers who have been sorely bedevilled by the depression years.

Socialists can have little quarrel with the condemnation of "poverty in the midst of plenty", the dictatorship of financial interests and the attack upon the credit privileges of the chartered banks. It is for that reason and also because of sympathy for any proposal which challenges the established orthodox financial system, that the followers of Major Douglas' theories have received considerable sympathy and support from Western farm members and Labor members in the Dominion House of Commons and in the Province of Alberta.

The past year, however, has seen a radical change in the contentions of Social Credit enthusiasts in Canada. Social Credit has passed the stage of a "harmless" theory, and like the sporadic eruption of "Epic" plans, Townsend pensions, "Utopian Inc" secret societies, Huey Long "Share the Wealth" Clubs, and Coughlin radio fans in America, it has broken out throughout Alberta in the form of the Aberhart incursion into politics. There is now a Social Credit party with a Social Credit

political platform and Social Credit political candidates, and it is in the light of a political party with aspirations to political power that it must now be considered.

Douglasites may frown upon Aberhartites and endeavor to disown them. There is no doubt, however, that the Aberhart variety of the Social Credit gospel is based upon the Douglas revelation and is essentially the same. It may have about it more of the flavor of the "camp meeting" and the Aimie Semple MacPherson style of faith, but for that very reason it appeals to the emotions and sympathies of those who believe rather than those who think.

There are those who are only superficially acquainted with the writings of Major Douglas himself who are under the mistaken impression that Douglas Social Credit fits in well with the principles of Socialism and the C.C.F. and that the Social Credit theory in fact is an indispensable weapon in the armoury of the Co-operative Commonwealth.

Nothing could be further from the truth. Social Credit has nothing more in common with socialism than has socialism with "social tea" biscuits. Running throughout Major Douglas' writings there runs a definite vein of antagonism against socialism and against everything for which socialism stands. In fact many sentences and paragraphs in Major Douglas' books might well be mistaken for direct quotations from Hitler's "Mein Kampf", Mussolini's statements on the Corporate State and rabid "red baiters" of various shades.

We hold no brief for orthodox economists, more particularly those orthodox economists of the school who bow down in adoration before the excellencies (?) of the present economic system. Nevertheless, if the Douglasite attacks on orthodox economists are based on no better understanding than the Major's knowledge of socialist economics and history, then they are indeed built upon sand.

Major Douglas is passionately devoted to "rugged individualism". Mankind as a social group as distinct from a number of individuals, is synonymous in his opinion with the mob. Democracy, socialism, collectivism are in his opinion expressions of "an unconscious herd instinct." To him the slogan of "workers of the world unite" is just as dangerous as the slogan which he attributes to the international bankers: "Europe must be saved."

If it were not for the fact that his opinions are on record on page 28, chapter 3 of the 1933 English edition of his book "Social Credit", it would be almost incredible that a man with the Major's pretensions could be so ignorant as to group "socialism, Fabianism and Big Business" as forms of the same "collectivism."

In chapter 4 of the same book, Major Douglas refers to the "absurdity" of the "worker's right to strike", and puts himself in the same pew with Sir Montague Norman and the same bankers whom he claims to detest, when he endeavors to discredit socialism by referring to Marx and communist propaganda.

What does Social Credit in any one of its many varieties do? First of all it exposes a disease. Secondly it diagnoses what it considers to be the causes and thirdly it prescribes a remedy. The disease which it exposes is the presence under the present economic system of want in the midst of potential plenty. With that portion and with that portion only we can heartily agree.

Social credit then goes on to diagnose the cause of the disease, and this it claims is the lack of enough "Purchasing Power" resulting from the mysterious machinations of international bankers. The remedy which it proposes is to introduce a patent book-keeping system (copyright reserved by Major Douglas) and make everybody happy by issuing a "national dividend" which will be conjured out of thin air without affecting the profits and dividends of our dear capitalist friends.

The situation can well be exemplified in the following manner: A man has a bad attack of the stomach ache. The old Capitalist family doctor says it is just a plain common stomach ache and all the patient has to do is apply a hot water bottle, go to bed and grin and bear it. Soon it will all pass over as it has in the past. The Socialist and the Social Crediteer both come to the conclusion that it isn't an ordinary stomach ache that will pass over with the help of a hot water bottle. They believe it is a serious disease of the internal organs. When it comes to the remedy the Socialist and the Social Crediteer part company. The Socialist attributes the disease to faulty diet, lack of exercise and improper methods of living. He advocates a radical change in the method of living and in the diet besides immediate steps to cure the acute condition. He realizes that relieving the acute condition alone is not sufficient and that it will keep on recurring unless the cause of the condition is removed.

The Social Crediteer claims the patient is sick because he has had the "evil eye" put upon him by that wicked witch called the "International Banker" and prescribes a sure-fire remedy and here it is: Take three hairs from a black cat, a mushroom picked from under a fir tree at twelve o'clock midnight, take a number from one to ten, double it, add a million, say "A plus B" three times, follow that up with "Abracadabra", "Fee fi fo fum" and "National Dividend" and the patient is cured. So easy, so simple, you see! It costs nothing, it isn't red, it isn't socialistic, doesn't effect anybody's profits or dividends, you have your cake and you eat it at the same time. What more could anyone want?

Major Douglas and his associates do not like government interference and regimentation and are not consciously inclined towards fascism whether of the Italian or German variety, although they might not be equally antagonized by a British variety. Nevertheless, the more we delve into the statements and books of Major Douglas and his associates and of William Aberhart, the more we are struck with the resemblance between many of the fascist slogans and the social credit slogans.

Fascism divides the capitalists into two groups, wicked capitalists and benevolent capitalists. The wicked capitalists are Finance Capitalists, the bankers. The benevolent Capitalists are the Industrial Capitalists—the productive men who out of the kindness of their hearts invest their capital so that working men might get jobs. The Finance Capitalists or bankers, they say, are internationalists, foreigners, traitors. The Industrial Capitalists are true blue, and patriots. Therefore, say the fascists, "Down with Socialism, Down with the international bankers, Up with the Corporate State, where there are no strikes and where the workers look upon the Benevolent Industrial Capitalists who employ them as loving children look towards their fathers." Social Crediteers say the same thing. They also make the distinction between Finance Capital and Industrial Capital. They also group socialists and international bankers together no matter how ridiculous and contradictory this grouping is. They also hate "collectivism" and believe strikes are wicked.

Social Crediteers like the fascists, also misuse the slogan of "poverty in the midst of plenty" and "Down with predatory capital" as red herrings to draw across the trail to mislead the workers on farms, in factories, stores and offices.

Both Fascism and leaders of Social Credit have a supreme contempt for democracy which they call "mob psychology", and their followers give their allegiance to a "fuehrer" whose word is law and who can do no wrong.

As Socialists we cannot escape the conclusion that the evils of Capitalism are not caused and cannot be cured by reforms in the monetary mechanism alone. The contradictions which the Social Crediteers point out in the financial system simply reflect the deeper contradictions in the whole capitalist system of production.

The Social Credit movement may not yet be consciously or openly fascist in its aims, character or composition, but the expressions which provide fruitful soil for the growth of fascist tactics are found sprinkled throughout Major Douglas' books and the platform speeches of some of his disciples.

FUTURE ISSUES OF C.C.F. RESEARCH REVIEW WILL FEATURE:

"Prospects for a C.C.F. for the United States"—Howard Y. Williams, National Organizer, Farmer Labor Political Federation.

"Child Labor in Canada"—Watt Hugh McCollum.

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